

# Hammond puts jobs first and opens door to migration

**Sam Coates** Deputy Political Editor  
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Philip Hammond signalled a new tone on Brexit which prioritises business over migration controls and keeps existing customs rules temporarily after leaving, as Europe's lead negotiator urged Britain to hurry up and decide what it wanted.

The chancellor made clear that plans for a rigid migration system, which business leaders had expected Theresa May to impose before the election, were gone.

Immigration would be managed but not "shut down" after a "jobs first" Brexit, Mr Hammond said.

He also signalled that the UK would seek to maintain the "frictionless" border arrangements of the customs union for an "implementation period...with current customs border arrangements remaining in place, until new long-term arrangements are up and running." He added that Britain would leave the EU "in a way that prioritises British jobs and underpins Britain's prosperity".

He said that his three priorities for a "Brexit for Britain" were a comprehensive free trade agreement for goods and services; transitional arrangements "to avoid unnecessary disruption and dangerous cliff edges" and "frictionless customs arrangements" for cross-border trade and to maintain the "open and free-flowing" Irish border.

Brexit supporters played down a rift with the chancellor. Iain Duncan Smith called it a "straightforward" speech". Labour figures also suggested that they supported Mr Hammond's approach to leaving the EU, raising the possibility of bipartisan co-operation.

However, Michel Barnier, the lead Brexit negotiator for the EU, was frustrated that the government had not told the EU what it wanted from a future trading relationship amid Conservative and cabinet splits over Brexit strategy.

"In order to work on this subject we need to be enlightened more on the nature of future relations which obviously will have repercussions for the content and the dimensions of such transition periods," he said.

## The straight chancellor is a deadpan walking

**Patrick Kidd**  
Political Sketch

Who is this man and what is he talking about? He is supposedly the chancellor of the exchequer, but every time he opens his mouth, he says something which seems the opposite of what the prime minister thinks, so that can't be right.

It can't be Philip Hammond because he was definitely going to get the sack after the election. And yet not long after 8am this man, whoever he is, decided to have Theresa May for breakfast.

Standing in front of a huge ceremonial sword and mace, at times he read out his speech as if it was the first time he had seen it, and at others it appeared to be delivered with one massive raised eyebrow.

David Davis' debut negotiating effort in Brussels this week, in

## Speech that had an audience of one

**Analysis**

Not everybody could make the new time for the chancellor's Mansion House speech yesterday morning, delayed from Thursday because of the Grenfell Tower fire. This did not matter because in truth it had a target audience of one: Theresa May (Sam Coates writes). Although technically

the chancellor did not breach any collective government positions on Brexit or the economy, it is inconceivable that he could have delivered such a speech before the botched general election a fortnight ago. Mr Hammond took aim at a series of Mrs May's core beliefs: the need to bear down heavily on immigration, the damage caused by globalisation, the ease with which the public spending taps can

be turned on and the requirement for an "implementation" phase, rather than full transition deal, for Brexit.

Before the election he would have been blocked from giving such an address and it had been expected that he would be removed from his post. Mrs May's fall from grace, and she is still falling, has given him new power and he is determined to use it to stop Britain making, in his view, catastrophic mistakes on Brexit.

It is uncertain where he will end up. Mrs May is so weak that she cannot arbitrate between squabbling cabinet

members who two weeks ago she wanted to sack. Downing Street is a vacuum; most of those who supported her politically have vanished. Hard decisions, rather than the sort of high-profile positioning seen in this speech, are imminent.

It is unclear whether this zombie government, which sits alongside a fractious and nervous Conservative Party, can cope with the sort of change of tone and direction set out by Mr Hammond. That is not the chancellor's fault, however. Mrs May must carry the blame for this alone.

in the developed world. He said that Mrs May's previous critique went too far. "We are not about to turn inward. But we do want to ensure that the arrangements we have in place work for our economy," he said.

"Just as the British people understand the benefits of trade, so too they understand how important it is to business to be able to access global talent and to move individuals around their organisations.

"So while we seek to manage migration, we do not seek to shut it down."

The address will be interpreted as a marker in an internal cabinet battle over Brexit, with Mr Hammond apparently favouring a softer Brexit that puts business first.

He said that the economy must be a priority in Brexit talks and that people "did not vote to become poorer."

Barry Gardiner, the shadow international trade secretary, said that Mr Hammond's speech showed that he had "swallowed entirely the Labour playbook" on Brexit.

Mr Gardiner told the *Daily Politics* on BBC Two: "Our Labour manifesto

came out [in the speech] absolutely loud and clear. So it was fair and managed migration, it was about a jobs-first Brexit, it was about no deal being a very, very bad deal for the UK. [He] has even said today he would look at remaining within the customs union."

Allie Renison, head of EU and trade policy at the Institute of Directors, said: "Business leaders will welcome the pragmatic approach taken when talking about Brexit in his Mansion House speech.

"There were no big surprises, but the focus on jobs and the economy is a step towards shoring up shaky business confidence."

Mr Duncan Smith told the *World at One* on BBC Radio 4 that he would prefer to describe transitional arrangements as "interim" measures as they would only be in place for a short time.

"And therefore we'll almost certainly need an implementation period, outside the customs union itself, but with current customs border arrangements remaining in place, until new long-term arrangements are up and running."

Daniel Finkelstein, page 27

campaign trail for weeks, meeting ordinary people. Hundreds of them.

"Unlike somebody who spent the entire campaign standing in the corner of empty warehouses with people holding up posters with their name on," he didn't quite add.

Beneath the golden columns of the magnificent Egyptian Hall, he presented himself as a man of the struggling masses, thinking of those who have fears about job security, wages, schools, the NHS and housing. If only he knew who had been in power all this time.

The man has given up hope of rapturous applause for the Brexit agreement. The best we can now hope for is a deal that is greeted with an "audible collective sigh of relief", he said.

"It must be done in a way that works for Britain," he said. "In a way that prioritises British jobs, and underpins Britain's prosperity."

Having promised a Brexit that does all of this, the absurdist artist ended his bravura performance with a final implausible flourish: "We are ready for the challenge."



Philip Hammond, the chancellor,

outlined a different approach to Brexit in his speech at Mansion House, London

# Europe's damning verdict: Britain threw in the towel

**Bruno Waterfield** Luxembourg  
**David Charter, Tom Kington**

Germany believes the opening of Brexit talks has exposed Britain's weak hand, and questions whether Theresa May's government will last the course.

"My impression is that the EU is in a much stronger position and I heard there was no concept behind what David Davis is doing," a senior German official involved in Brexit preparations said in Berlin yesterday.

"If you expect this government in London will not continue after the next 12 months then why should you be flexible? I do not know how Britain will get out of this mess," the official added.

Others also see Mr Davis, the Brexit secretary, as weak. Italy's *La Stampa* newspaper ridiculed him for "throwing in the towel" on the first day of talks as he gave up demands for parallel talks on withdrawal and the UK's trading relationship with the EU.

"It only needed one day of talks to understand the UK's weakness compared to the EU," commented the German newspaper *Süddeutsche Zeitung*.

"The EU can now negotiate from a position of strength. Britain's only trump card — to walk away with no deal — was not really a bargaining chip at all."

Michel Barnier, Europe's lead negotiator, described the first day of talks with

Mr Davis as "important and useful". "Now we can go into the operational phase of negotiations and that is indispensable because the clock is ticking," he said yesterday.

Both emphasised how "positive" and "constructive" the encounter had been, although Mr Barnier ended Monday with a steely warning that he was "not in a frame of mind to make concessions".

"There were no flares-ups between the two," a source said. "But those in the room detected awkwardness and a certain impatience from Barnier."

Others in the 27 permanent representations of EU governments across Brussels noted that the opening of the most complex diplomatic negotiations in a generation lasted a mere seven and a half hours. "It was a taster, it was really very short," a senior EU diplomat said. "It was a 'get to know you' session that barley scratched the surface."

"I take a positive view of the Brexit meeting," said Sandro Gozi, the Italian junior minister for European affairs. Mr Gozi said he was pleased that the UK had agreed to discuss immediately issues including the Irish border and the rights of EU citizens in the UK, as well as UK citizens living in Europe.

"To take the residency issue off the table as soon as possible is important for moral reasons. We can't leave them in limbo," he said. "For us it's important to have clarity in the UK position, it is

not up to us to decide what the Brits want."

Mr Davis campaigned for a Leave vote, a political stance that marks him as "populist" in elitist Brussels. His last posting on the EU stage was in the mid-1990s as Europe minister, often sparring with Mr Barnier, his French counterpart in John Major's skirmishes over opt-outs from European treaties.

On the other side, the French lead negotiator, with a mandate for 27 governments, has rarely been off the European stage as French foreign minister and the commissioner responsible for regulating the City of London until three years ago. "I know him well," said Mr Barnier yesterday, refusing to be drawn further on Mr Davis's character.

While EU officials were pleased at the British approach, particularly that a discussion on rights for European nationals had gone "quite well", fears remain over the weakness of the government.

Diplomats are particularly concerned over disarray within the Conservatives, amid public cabinet splits and the influence of the DUP.

"On the level of personality and preparations by the British civil service it was positive and reassuring," said a diplomatic source briefed on the talks. "At the higher level of leadership and the mess the Conservatives are in, we are worried."

## New boundaries would still have denied May a majority

**Henry Zeffman** Political Reporter

Theresa May would not have won a majority in the general election even if planned changes to constituency boundaries had been in place, an analysis suggests.

The new boundaries, still due to come into force at the next election, had been expected to help the Conservatives, but would still have returned a hung parliament on June 8 — and Boris Johnson and Iain Duncan Smith would have lost their seats.

Under David Cameron, the Conservatives drew up plans to cut the size of the Commons from 650 to 600 seats, redrawing boundaries so each seat had a similar number of constituents. Mrs May vowed to press ahead with the proposals in her election manifesto.

Even if the changes had been pushed through, and the new electoral map drawn up by the boundary commissions last year was in place, the Conservatives would still have been short of an overall majority.

According to work by Martin Baxter of Electoral Calculus, the Conservatives would have won 20 fewer seats, falling to a tally of 298 from 318. That would have left Mrs May three seats shy of a majority in a reduced Commons.

Mr Johnson, however, would have lost his seat. His constituency of Uxbridge & South Ruislip would have gained a quarter of Labour-held Ealing North and become the new, Labour, seat of Hillingdon & Uxbridge.

The foreign secretary's 24-point majority over Labour in 2015 dwindled to 11 points this month.

Mr Duncan Smith, the former work and pensions secretary, would have lost his Chingford & Woodford Green seat to Labour after it acquired a chunk of Walthamstow.

Labour would have lost fewer seats in the rejig, falling to 245 from 262. Dame

Reformed boundary results				
	Reformed boundaries	Actual result	Change	
C	298	318	-20	
Lab	245	262	-17	
Lib Dem	7	12	-5	
Ukip	0	0	-	
Green	0	1	-1	
SNP	32	35	-3	
Plaid	1	4	-3	
DUP	7	10	-3	
Sinn Fein	9	7	+2	
Ind	1	1	-	
Source: Electoral Calculus				
	New seats	Current seats	Change	
England	501	533	-32	
Scotland	53	59	-6	
Wales	29	40	-11	
N Ireland	17	18	-1	
Total	600	650	-50	

Margaret Beckett, the former foreign secretary, would have lost Derby South to the Conservatives.

Instead of rallying from nine seats to 12, the Liberal Democrats would have fallen to seven, with the party's outgoing leader Tim Farron losing his constituency of Westmorland & Lonsdale to the Tories. Caroline Lucas, the Green party's sole MP, would have lost her Brighton Pavilion constituency to Labour, while the SNP would have lost three of their 35 seats.

The new boundaries would have significantly squeezed the Democratic Unionist Party, which would have won seven seats rather than ten. Sinn Fein, by contrast, would have won two more seats, with a total of nine.

A public consultation on the new map took place last October and November, and revised proposals are set to be published this year.

## Cable 'not too old' for leadership

**Patrick Maguire**

Sir Vince Cable dismissed accusations that he is too old at 74 to lead the Liberal Democrats as he became the first candidate to enter the race to succeed Tim Farron.

The former business secretary returned to parliament as MP for Twickenham this month after losing his seat to the Conservatives in 2015. He is likely to face Sir Ed Davey, the former energy secretary, and Norman Lamb, the former health minister. Both are understood to be considering standing.

Sir Vince, who is on the Lib Dem left, would be the party's oldest leader if elected. He had been hotly tipped to stand in the contest to succeed Sir Menzies Campbell in 2007 but declined, citing the likelihood that he would face "irrational prejudice about his age".

Launching his candidacy yesterday, he compared himself to William Gladstone, who became prime minister at 82, and Bernie Sanders, who sought the Democratic US presidential nomination aged 74. He said that he had the "energy, enthusiasm and experience" to lead the party through a period of "chronic uncertainty".

His role in introducing tuition fees while business secretary, as well as his call for an end of the EU's free movement of people, could harm his standing among the party grassroots.

Though the Lib Dems won just 7.4 per cent of the vote and 12 seats at the general election, Sir Vince said that "big opportunities" lay ahead for the party. "There is a big space in British politics which I am determined that we should occupy," he added.

Lib Dem members will elect a new leader by postal ballot in time for the party conference in September.